

AMENDED IN ASSEMBLY APRIL 21, 2003

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

ASSEMBLY BILL

No. 1073

Introduced by Assembly Member Dutton

February 20, 2003

An act to add Section ~~6369.6~~ 17136.5 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1073, as amended, Dutton. ~~Sales and use taxes: exemptions: nonprescription drugs~~ *Personal income tax: exemption: military death gratuity.*

The Personal Income Tax Law imposes a tax on individual taxpayers measured by the amount of the taxpayer's taxable income for the taxable year, but excludes certain items of income from the computation of tax.

This bill would, for taxable years beginning on or after January 1, 2003, exclude the \$6,000 death gratuity income received by the living survivor of a deceased member, former member, or person entering the service of, the Armed Forces of the United States, from the computation of the personal income tax for the taxable year in which the death gratuity is received.

This bill would take effect immediately as a tax levy.

~~The Sales and Use Tax Law imposes a tax on the gross receipts from the sale in this state of, or the storage, use, or other consumption in this state of, tangible personal property. That law provides various exemptions from that tax, including an exemption for specified medicines.~~

~~This bill would create a new exemption from these taxes for qualified nonprescription drugs, as defined.~~

~~Counties and cities are authorized to impose local sales and use taxes in conformity with the state sales and use taxes. Exemptions from the state sales and use taxes enacted by the Legislature are incorporated into the local taxes.~~

~~Section 2230 of the Revenue and Taxation Code provides that the state will reimburse counties and cities for revenue losses caused by the enactment of sales and use tax exemptions.~~

~~This bill would provide that, notwithstanding Section 2230 of the Revenue and Taxation Code, no appropriation is made and the state shall not reimburse local agencies for sales and use tax revenues lost by them pursuant to this bill.~~

~~This bill would take effect immediately as a tax levy, but its operative date would depend on its effective date.~~

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: ~~yes~~ *no*.

The people of the State of California do enact as follows:

- 1 ~~SECTION 1. — Section 6369.6 is added to the Revenue and~~
- 2 *SECTION 1. Section 17136.5 is added to the Revenue and*
- 3 *Taxation Code, to read:*
- 4 *17136.5. (a) For taxable years beginning on or after January*
- 5 *1, 2003, gross income does not include the death gratuity received*
- 6 *by the living survivor of a deceased member, former member, or*
- 7 *person entering the service of, the Armed Forces of the United*
- 8 *States.*
- 9 *(b) For purposes of this section:*
- 10 *(1) "Death gratuity" means the six thousand dollars (\$6,000)*
- 11 *lump sum payment made pursuant to Section 1478 of Title 10 of the*
- 12 *United States Code.*
- 13 *(2) "Living survivor" means those persons described in*
- 14 *Section 1477 of Title 10 of the United States Code.*
- 15 *(3) "Deceased member, former member, or person entering the*
- 16 *service of, the Armed Forces of the United States" means those*
- 17 *persons described in Sections 1475 and 1476 of Title 10 of the*
- 18 *United States Code.*
- 19 *SEC. 2. This act provides for a tax levy within the meaning of*
- 20 *Article IV of the Constitution and shall go into immediate effect.*

1 Taxation Code, to read:

2 6369.6. (a) ~~There are exempted from the taxes imposed by~~
3 ~~this part, the gross receipts from the sale in this state of, and the~~
4 ~~storage, use, or other consumption in this state of, qualified~~
5 ~~nonprescription drugs.~~

6 (b) ~~“Qualified nonprescription drug,” as used in this section,~~
7 ~~means a nonprescription drug, as defined in Section 4025.1 of the~~
8 ~~Business and Professions Code, that meets the following~~
9 ~~conditions:~~

10 (1) ~~An article intended for use in the diagnosis, cure,~~
11 ~~mitigation, treatment, or prevention of disease in man or other~~
12 ~~animals.~~

13 (2) ~~An article, other than food, intended to affect the structure~~
14 ~~or any function of the body of man or other animals.~~

15 (3) ~~An article intended for use as a component of any article~~
16 ~~specified in paragraph (1) or (2).~~

17 (4) ~~The label of which identifies the article as a drug by~~
18 ~~containing one or both of the following:~~

19 (A) ~~A “Drug Facts” box found on the label and as required~~
20 ~~pursuant to Section 201.66 of Title 21 of the Code of Federal~~
21 ~~Regulations.~~

22 (B) ~~A statement of the “active ingredient or ingredients,” with~~
23 ~~a list of those ingredients contained in the article.~~

24 SEC. 2. ~~Notwithstanding Section 2230 of the Revenue and~~
25 ~~Taxation Code, no appropriation is made by this act and the state~~
26 ~~shall not reimburse any local agency for any sales and use tax~~
27 ~~revenues lost under this act.~~

28 SEC. 3. ~~This act provides for a tax levy within the meaning of~~
29 ~~Article IV of the Constitution and shall go into immediate effect.~~
30 ~~However, the provisions of this act shall become operative on the~~
31 ~~first day of the first calendar quarter commencing more than 90~~
32 ~~days after the effective date of this act.~~